

**Submission of FY 2006 3rd Quarter Financial
Reports**

**Legislative Mandate
April 1, 2006 through June 30, 2006**

**OPA Report No. 06-10
September 2006**



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September 6, 2006

Honorable Felix Camacho
Governor
Office of the Governor
P.O. Box 2950
Hagatna, Guam 96932

Honorable Mark Forbes
Speaker
28th Guam Legislature
324 W. Soledad Ave.
Hagatna, Guam 96910

Subject: Submission of FY 2006 3rd Quarter Financial Reports
for the three month period ended July 31, 2006

Dear Governor Camacho and Speaker Forbes:

Pursuant to Public Law (P.L.) 28-68 Chapter V Section 3, we hereby submit our review of the submission of 3rd Quarter Financial Reports by various government of Guam entities, as required by law. See Appendix 1 for details of this section of the law.

Subsequent 1st and 2nd Quarter Report Submissions

In OPA Report 06-09 submitted July 2006, we reported five entities did not submit 1st and/or 2nd quarter financial reports as follows:

- Commission on Decolonization – 2nd quarter
- Guam Ancestral Lands Commission – 2nd quarter
- Guam Housing and Urban Renewal Authority (GHURA) – 1st & 2nd quarters
- Guam State Clearinghouse – 1st & 2nd quarters
- Office of Veteran's Affairs – 1st & 2nd quarters

These five entities have still not submitted the required reports to the Legislature as of the issuance date of this report.

The Office of Veteran's Affairs, Guam State Clearinghouse, Commission on Decolonization, and the Guam Ancestral Lands Commission receive general fund appropriations and may be subject to deappropriation. GHURA does not receive general fund appropriations.

Interpretation of P.L. 28-68 by Committee on Finance

The Committee on Finance, Taxation, and Commerce (Committee) distributed the reporting requirements of P.L. 28-68 Chapter V Section 2 to all entities on July 27, 2006. See Appendix 2. Based on these guidelines, we determined an entity to be in full compliance for the 3rd quarter financial reports if the entity met these three requirements:

- 1) Submitted by entity's department/agency head
- 2) Submitted by July 31, 2006
- 3) Posted on the entity's website

These same guidelines were used to evaluate reporting requirement compliance to P.L. 28-68 Chapter V Section 2 for the 2nd quarter financial reports. However, absent these guidelines, we evaluated the 1st quarter financial reports based solely on timeliness of report submissions.

Entities that Fully Complied

According to the Committee, there are 52 entities required to submit quarterly reports. We identified 23 entities that met all three reporting requirements for the 3rd quarter financial reports. See Appendix 3 for a list of these 23 entities. We note that this is a significant increase from the seven entities that met all three reporting requirements for the 2nd quarter.

Entities that Did Not Fully Comply

Guam Housing and Urban Renewal Authority (GHURA) is the only entity we identified that did not meet any of the three requirements. We contacted GHURA to confirm that they did not submit the 3rd quarter financial report to the Legislature. GHURA informed OPA that their 3rd quarter financial report was not ready and that they would submit prior quarter financial reports to the Legislature. However, the reports had not been received by the Legislature as of the issuance date of this report.

Based on the Committee's interpretation, GHURA may be subject to deappropriation. However, GHURA does not receive General Fund appropriations for its operations.

Entities that Partially Complied

The remaining 28 entities partially complied with the Committee's interpretation, meeting at least one, but not all of the requirements. Twenty-seven of the 28 entities complied with the requirement of submission of the quarterly report by the entity head. The Office of the Governor rather than the Office of the Lieutenant Governor submitted the 3rd quarter financial report for the Guam State Clearinghouse. However, 5 GCA §2101 and §2103 established that the duties of the Office of the Lieutenant Governor and the Office of the Governor are separate and that the Lieutenant Governor is the director of Guam State Clearinghouse.

Of the 28 entities that partially complied with the Committee's interpretation, there were 16 entities that submitted the report by the due date, but did not post the report on the website. Twelve entities submitted the report after the due date. See Appendix 4 for details and a list of the entities.

Submitted by Due Date but not posted on the website

Although there were 16 entities that submitted their 3rd quarter financial reports by the July 31, 2006 due date, all 16 entities did not post the reports on their websites. Twelve of the 16 entities linked their websites to the comprehensive BBMR 3rd quarter financial report. However, according to the Committee's interpretation, this process of linking is not in compliance with the requirement that the entity post the quarterly financial report on the "department/agency website".

These 16 entities may be subject to deappropriation based on the Committee's interpretation. However, Guam Housing Corporation does not receive appropriations from the General Fund for their operations.

Submitted after the Due Date

Twelve of the 28 entities submitted their 3rd quarter financial reports after the July 31, 2006 due date. Six of these 12 entities posted the reports on their websites, four entities did not post the report on their website, and two entities do not have websites.

These 12 entities may be subject to deappropriation based on the Committee's interpretation. However, four of the 12 entities, Government of Guam Retirement Fund, Guam International Airport Authority, Guam Waterworks Authority, and Guam Power Authority do not receive appropriations from the General Fund for their operations. The Guam Visitors Bureau does not receive General Fund appropriation, however; it receives Legislative appropriation from the Tourist Attraction Fund for its operations.

Entities That Do Not Have a Website

Pursuant to P.L. 28-57, each government department or agency is required to develop and maintain a homepage or website. The following entities do not have a website:

- Commission on Decolonization
- Guam Ancestral Lands Commission

We noted a decrease in the number of entities that do not maintain websites, from seven entities in the 2nd quarter to two entities in the 3rd quarter. The Department of Chamorro Affairs, Department of Integrated Services for Individuals with Disabilities (DISID), Department of Military Affairs, the Office of the Chief Medical Examiner, and the Office of Veterans Affairs have established websites since our report on the FY 2006 2nd quarter financial reporting.

Report Format

There continues to be inconsistencies in the amount of information that was provided in the financial reports. P.L. 28-68 states that the reports "shall be in the format of Financial Statements and/or revenue and expenditure reports... or in the format as may be required by I Liheslaturan Guahan." We noted that some reports were itemized as to the nature of the expenditures; however, some reports, such as the ones prepared by BBMR and certified by the heads of numerous entities, disclosed only lump sum expenditures for the funds administered by the entity. A lump sum expenditure report does not sufficiently provide details on expenditure patterns of the entity.

The Committee has stated that a standard report format is being developed for required quarterly reporting and will be distributed to the entities when completed.

Conclusion

In summary, based on the Committee's guidance, the department/agency head of each entity must submit 3rd quarter financial reports by the July 31, 2006 due date and post the financial reports on the entity's website to comply with P.L. 28-68. Twenty-three entities fully complied, one entity did not submit a 3rd quarter financial report, and 28 entities partially complied by meeting at least one, but not all three requirements. As a result, 29 entities may be subject to deappropriation based on the Committee's interpretation. Further, two entities have not developed websites as required by P.L. 28-57.

We noted a continued improvement in the reporting by the various entities as 23 entities complied with all three requirements for the 3rd quarter, compared to seven entities in the 2nd quarter. Although there are still entities that have not met any of the three requirements and others that met at least one, but not all three requirements, these numbers have decreased. In the 3rd quarter, we found that 29 entities may be subject to deappropriation compared to 45 entities in the 2nd quarter. We are confident that with continued monitoring, the reporting by various entities will continue to improve.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

Appendix 1:
Public Law 28-68 Chapter V Sections 2 & 3

ADMINISTRATIVE PROVISIONS.

Section 2. Reporting Requirements. Thirty (30) days after the close of each quarter of Fiscal Year 2006, each department/agency head in the Executive Branch of the government of Guam, all autonomous, semi-autonomous agencies and Public Corporations inclusive of the Public Auditor of Guam, the Attorney General of Guam, the Administrator of the Courts, the Public Defender of Guam, the President of the Mayors Council of Guam, the Superintendent of the Guam Public School System, the President of the University of Guam, the President of the Guam Community College, the Administrator of the Guam Memorial Hospital Authority, the General Manager of the Guam Visitors Bureau, the Administrator of the Guam Economic Development and Commerce Authority, and the Director of the Guam Election Commission, shall submit in written and electronic format (including, but *not limited to*, diskettes, CD, and/or email) to the Speaker of *I Liheslaturan Guåhan* a report containing full disclosure of ALL funds under its purview and administration for the preceding quarter. Such disclosure shall be in the format of Financial Statements and/or revenue and expenditure reports for each of the funds he or she administers (appropriated, non-appropriated and other sources) or in the format as may be required by *I Liheslaturan Guåhan* and shall post the same on the department/agencies website. This, and all other reporting requirements as mandated in this Act are subject to the following:

(a) Fifteen (15) days after the report's due date, *I Maga'lahi*, through the Bureau of Budget and Management Research, shall notify the responsible Department/Agency Head of the Executive Branch, of non-compliance and the imminent deappropriation of funds.

(b) Fifteen (15) days after the report's due date, the Chairpersons of all applicable Boards and Commissions shall notify the responsible reporting Official, listed in this Section, of non-compliance with reporting requirements and the imminent deappropriation of funds.

Section 3. Deappropriation of Funds. Failure to comply with reporting requirements as mandated in this Act, after the forty-fifth (45th) day from the original report due date, shall result in the automatic deappropriation of funds of five percent (5%) of the appropriations made to the non-compliant entity for EACH requirement not met. This Section shall *not* apply when the island is declared to be in the Condition of Readiness One or when *I Maga'lahi* has declared a state of emergency. The Public Auditor shall certify the deappropriation and report it to *I Maga'lahaen Guåhan* and the Speaker of *I Liheslaturan Guåhan*. The Bureau of Budget and Management Research shall adjust the appropriation/allotment to effectuate any deappropriation and submit a report of such deappropriation(s) along with copies of the appropriation/allotment modification to the Speaker of *I Liheslaturan Guåhan*.

Appendix 2:

Committee on Finance, Taxation and Commerce 3rd Quarter Reporting Requirements

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I Mina'Bente Ocho Na Liheslaturan Guåhan

Senator Edward J.B. Calvo
SECRETARY OF THE LEGISLATURE
Chairman, Committee on Finance, Taxation & Commerce
Office of Finance and Budget

July 27, 2006

MEMORANDUM

To: All Department and Agencies

From: Senator Edward J. B. Calvo, Chairman *EC*
Committee on Finance, Taxation and Commerce

Subject: 3rd Quarter Financial Reporting Requirements

Hafa Adai! Please review the attached correspondence to the Office of the Public Auditor regarding Government of Guam Departments and Agencies filing of Quarterly Financial Reports as mandated by Chapter V, Section 2 of P.L. 28-68. As the 3rd Quarter of Fiscal Year 2006 has just concluded, all Departments and Agencies are urged to submit their respective financial reports within the prescribed timelines.

Thank you.

Attachment(s)

155 Hesler Place
Hagåtña, Guam 96910
Tel:(671) 475-8801/02 • Fax:(671) 475-8805 • Email: sencalvo@yahoo.com

Appendix 2:

Committee on Finance, Taxation and Commerce 3rd Quarter Reporting Requirements

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I Mina'Bente Ocho Na Liheslaturan Gúhnan

Senator Edward J.B. Calvo
SECRETARY OF THE LEGISLATURE
Chairman, Committee on Finance, Taxation & Commerce
Office of Finance and Budget

June 9, 2006

Ms. Doris Flores Brooks, Public Auditor
Office of the Public Auditor
Suite 401, Pacific News Bldg.
238 Archbishop Flores Street
Hagåtña, Guam 96910

Dear Ms. Brooks:

Hafa Adai! In a recent meeting with the Committee on Finance, Taxation and Commerce (Committee) and the Office of the Public Auditor (OPA), the following questions were discussed with respect to the filing of quarterly financial reports by government agencies as mandated by Public Law 28-68, Chapter V, Section 2. The Committee's responses, with guidance from the Legal Counsel of the Legislature, to the questions posed by the OPA are as follows:

OPA: Are we only to report on the submission of quarterly financial reports?

Response: Yes. Report on the submission and non-submission of the quarterly financial reports by department/agency.

OPA: Are the agencies subject to deappropriation if reports are not submitted by the due date or not until after 45 days after the due date?

Response: The agencies are "subject" to deappropriation if the reports are not submitted by the due date. Deappropriation of funds is automatic after the forty-fifth (45th) day from the original report due date.

OPA: Are the agencies subject to deappropriation if they do not post reports on their website?

Response: Yes.

155 Hesler Place
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Appendix 2:

Committee on Finance, Taxation and Commerce 3rd Quarter Reporting Requirements

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Ms. Doris Flores Brooks, Public Auditor
Page 2 of 2

OPA: Is the submission of reports by BBMR sufficient to satisfy the reporting requirement?

Response: No. The submission of reports shall come from each "department/agency head", of the Executive Branch of the government of Guam, all autonomous, semi-autonomous agencies and Public Corporations inclusive of the Public Auditor of Guam, the Attorney General of Guam, the Administrator of the Courts, the Public Defender of Guam, the President of the Mayors Council of Guam, the Superintendent of the Guam Public School System, the President of the University of Guam, the President of the Guam Community College, the Administrator of the Guam Memorial Hospital, the General Manager of the Guam Visitors Bureau, the Administrator of the Guam Economic Development and Commerce Authority and the Director of the Guam Election Commission.

The Committee wishes to thank the Office of the Public Auditor for their continued support and assistance in this matter.

Si Yu'os Ma'åse!



Senator Edward J. B. Calvo

Appendix 3:**Entities that fully complied with P.L. 28-68, Chapter V, Section 2**

ENTITY		DATE RECEIVED BY I LIHESLATURAN GUAHAN	WEBSITE ADDRESS
1	Bureau of Budget and Management Research (BBMR)	7/25/06	http://www.guamgovernor.net/BBMR/index.html
2	Bureau of Statistics and Plans	7/24/06	http://www.guamgovernor.net/content/view/235/280/
3	Chamorro Land Trust Commission	7/24/06	http://cltcguam.org/
4	Department of Corrections	7/20/06	http://depcor.com
5	Department of Integrated Services for Individuals with Disabilities (DISID)	7/28/06	http://www.guamdol.net/content/view/115/117/
6	Department of Labor	7/31/06	http://guamdol.net/
7	Department of Parks and Recreation	7/31/06	http://guam.govdotnetnuke/dpr/Budget/tabid/799/Default.aspx
8	Department of Public Health and Social Services	7/27/06	http://dphss.govguam.net/index.htm
9	Guam Community College	7/13/06	http://guamcc.net/
10	Guam Contractors License Board	7/19/06	http://guamgovernor.net/content/view/235/280
11	Guam Council on the Arts and Humanities Agency	7/31/06	http://www.guamcaha.org/
12	Guam Economic Development and Commerce Authority	7/31/06	http://investguam.com/2006/junefin2006.htm
13	Guam Educational Telecommunication Corporation (KGTF)	7/27/06	http://kgtf.org/
14	Guam Environmental Protection Agency	7/24/06	http://www.guamepa.govguam.net/
15	Guam Memorial Hospital Authority	7/25/06	http://www.gmha.org/
16	Guam Police Department	7/24/06	http://www.guampd.com/index/htm
17	Guam Public Library System	7/05/06	http://www.admin.gov.gu/gpls/index.htm
18	Judiciary of Guam	7/20/06	http://www.justice.gov.gu/
19	Office of the Attorney General	7/28/06	http://www.guamattorneygeneral.com/
20	Office of the Chief Medical Examiner	7/28/06	www.guamgov/DoNetNuke/Default.asp?Alias=www.guamgov/donetnuke/ocme
21	Office of the Public Auditor	7/24/06	http://www.guamopa.org/
22	Port Authority of Guam	7/24/06	http://www.portofguam.com/
23	University of Guam	7/31/06	http://www.uog.edu/adminfin/comptroller/comptroller.htm

Appendix 4:

Entities that partially complied with P.L. 28-68, Chapter V, Section 2

Entity Name		1) Submission of Report:		2) Date of Submission		3) Website Posting	
		By Head of Department/ Agency	By Other	By due date (July 31, 2006)	After due date	On entity website	Linked to BBMR
1	Department of Chamorro Affairs	✓			8/01/06	✓	
2	Commission on Decolonization	✓			8/02/06	***	***
3	Department of Mental Health and Substance Abuse	✓			9/01/06		
4	Department of Military Affairs	✓			8/15/06	✓	
5	Government of Guam Retirement Fund	✓			8/01/06		
6	Guam Ancestral Lands Commission	✓			8/02/06	***	***
7	Guam International Airport Authority	✓			8/07/06	✓	
8	Guam Power Authority	✓			8/17/06	✓	
9	Guam Public School System	✓			8/01/06	✓	
10	Guam Visitors Bureau	✓			8/01/06	✓	
11	Guam Waterworks Authority	✓			8/17/06		
12	Mayors Council of Guam	✓			8/04/06		
13	Board of Professional Engineers, Architects and Land Surveyors	✓		7/19/06			✓
14	Civil Service Commission	✓		7/26/06			✓
15	Customs and Quarantine Agency	✓		7/20/06			✓
16	Department of Administration	✓		7/24/06			✓
17	Department of Agriculture	✓		7/28/06			✓
18	Department of Land Management	✓		7/27/06			✓
19	Department of Public Works	✓		7/24/06			
20	Department of Revenue and Taxation	✓		7/20/06			✓
21	Department of Youth Affairs	✓		7/31/06			✓
22	Guam Board of Accountancy	✓		7/07/06			
23	Guam Election Commission	✓		7/28/06			✓
24	Guam Fire Department	✓		7/19/06			✓
25	Guam Housing Corporation	✓		7/19/06			
26	Public Defender Service Corporation	✓		7/26/06			
27	Veterans Affairs Office	✓		7/27/06			✓
28	Guam State Clearinghouse		✓	7/28/06			✓

*** No website

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



- **Call our HOTLINE at 47AUDIT (472-8348);**
- **Visit our website at www.guamopa.org;**
- **Call our office at 475-0390;**
- **Fax our office at 472-7951;**
- **Or visit us at the PNB Building, Suite 401
In Hagåtña**

All information will be held in strict confidence.